

Section 1

Introduction and Changes in Law

Introduction

This report contains complete individual income tax data for Tax Year 2002. The statistics are based on a stratified probability sample of individual income tax returns, selected before audit, which represents a population of over 130 million Forms 1040, 1040A, and 1040EZ, including electronic returns, filed for Tax Year 2002.

Table A on the following pages presents selected income and tax items for Tax Years 1998, 1999, 2000, 2001, and 2002 as they appear on the forms and provides the percentage change for each item between 2001 and 2002. When comparing income and tax items from different years, it is important to consider any changes in the tax law, which may have affected the data. These tax law changes are explained below. To assist year-to-year comparisons, Table A includes the items in both current dollars and constant 1990 dollars, as adjusted by the U.S. Department of Labor's consumer price index (CPI-U).

For Tax Year 2002, the number of individual tax returns filed decreased by just fewer than 179 thousand, or 0.1 percent. Adjusted gross income (AGI) fell \$137.0 billion, or 2.2 percent from 2001 to 2002, compared to the 3.1 percent decline recorded from 2000 to 2001. Total tax liability decreased 9.7 percent to \$840.0 billion. Several components of AGI showed decreases for between 2001 and 2002: net capital gains less loss decreased 26.7 percent; taxable interest received decreased 24.8 percent; and dividends decreased 13.6 percent.

This report is divided into six sections. Section 1 explains the requirements for filing, changes in the law for 2002, and the 1979 Income Concept. Section 2 describes the sample of individual income tax returns upon which the statistics are based. Section 3 contains tables of detailed aggregate statistics on individual tax returns. Section 4 provides explanations of the terms used in the tables. The tax forms appear in Section 5 and Section 6 contains a subject index.

Table A--Selected Income and Tax Items for Selected Years, 1998-2002, in Current and Constant 1990 Dollars¹

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Item	Current dollars					Percent change, 2001 to 2002
	1998	1999	2000	2001	2002	
	(1)	(2)	(3)	(4)	(5)	(6)
All returns.....	124,770,662	127,075,145	129,373,500	130,255,237	130,076,443	-0.1
Form 1040 returns.....	71,162,837	74,165,814	78,846,102	80,500,011	80,748,948	0.3
Electronically filed returns.....	9,450,121	13,173,514	16,018,213	20,811,215	24,843,419	19.4
Form 1040A returns.....	25,987,822	26,961,302	28,826,589	28,293,817	28,714,328	1.5
Electronically filed returns.....	10,285,487	12,462,963	13,889,642	15,007,182	16,839,599	12.2
Form 1040EZ returns.....	20,830,173	20,752,420	21,700,809	21,461,409	20,613,167	-4.0
Electronically filed returns.....	9,150,964	9,858,843	10,170,740	11,043,091	11,115,806	0.7
Form 1040PC returns.....	6,789,831	5,195,609	N/A	N/A	N/A	(X)
Salaries & wages						
Number of returns.....	106,535,263	108,183,782	110,168,714	111,227,450	110,938,441	-0.3
Amount.....	3,879,762,259	4,132,473,459	4,456,167,438	4,565,229,218	4,559,690,903	-0.1
Taxable interest received						
Number of returns.....	67,231,792	67,218,877	68,046,458	67,479,816	63,584,806	-5.8
Amount.....	178,333,632	175,675,236	199,321,670	198,177,814	149,024,899	-24.8
Tax-exempt interest						
Number of returns.....	4,778,374	4,801,877	4,658,345	4,557,381	4,453,829	-2.3
Amount.....	50,223,365	52,513,007	53,951,877	55,582,376	54,564,456	-1.8
Dividends in AGI						
Number of returns.....	30,423,274	32,226,492	34,140,604	32,621,151	31,409,759	-3.7
Amount.....	118,479,991	132,465,522	146,987,679	119,533,324	103,241,332	-13.6
State income tax refund						
Number of returns.....	19,544,265	20,811,334	20,921,057	22,132,023	23,838,529	7.7
Amount.....	14,707,844	17,976,204	18,309,835	21,219,499	23,875,813	12.5
Alimony received						
Number of returns.....	437,410	418,989	442,335	437,859	425,963	-2.7
Amount.....	5,118,123	5,455,497	6,192,307	6,685,857	6,523,019	-2.4
Business or profession net income, less loss						
Number of returns.....	17,104,786	17,312,125	17,600,010	18,018,349	18,597,305	3.2
Amount.....	202,400,115	208,414,067	213,865,353	216,772,496	220,783,572	1.9
Net capital gain in AGI less loss						
Number of returns.....	25,690,397	21,493,841	22,875,460	23,470,401	23,249,625	-0.9
Amount.....	446,083,839	530,795,936	614,739,612	325,168,963	238,368,458	-26.7
Capital gain distributions reported on Form 1040						
Number of returns.....	N/A	6,206,662	6,645,305	2,486,027	939,523	-62.2
Amount.....	N/A	11,962,180	15,802,819	1,358,488	420,312	-69.1
Sales of property other than capital assets, net gain less loss						
Number of returns.....	1,719,937	1,732,925	1,700,051	1,615,884	1,728,377	7.0
Amount.....	-1,575,698	-1,712,291	-919,134	-1,896,996	-2,386,530	-25.8
Total IRA distributions						
Number of returns.....	8,530,379	8,751,378	9,381,311	9,363,959	8,889,787	-5.1
Amount.....	133,357,445	125,316,324	138,323,846	118,565,053	120,418,135	1.6
Taxable IRA distributions in AGI						
Number of returns.....	7,774,091	8,129,376	8,732,291	8,834,138	8,291,357	-6.1
Amount.....	74,094,367	87,140,912	98,966,627	94,327,585	88,219,481	-6.5
Total pensions & annuities						
Number of returns.....	22,211,348	23,180,716	23,793,404	24,317,375	24,857,470	2.2
Amount.....	441,521,385	508,236,875	552,009,667	532,924,324	561,031,602	5.3
Taxable pensions & annuities in AGI						
Number of returns.....	20,473,407	21,343,646	21,765,211	22,262,775	22,794,417	2.4
Amount.....	280,650,198	304,310,714	325,827,702	338,745,409	357,840,960	5.6
Rents, royalties, partnerships, estates, trusts, etc.						
Number of returns.....	14,647,697	14,536,311	14,332,632	14,542,983	14,683,765	1.0
Amount.....	219,258,921	246,591,401	252,085,403	268,224,205	278,192,647	3.7
Farm net income less loss						
Number of returns.....	2,091,845	2,046,308	2,061,784	2,006,871	1,995,073	-0.6
Amount.....	-7,933,778	-6,242,916	-9,034,178	-11,004,781	-14,419,719	-31.0
Unemployment compensation in AGI						
Number of returns.....	7,082,562	6,775,723	6,478,292	8,799,885	10,334,639	17.4
Amount.....	16,814,669	17,530,779	16,913,305	26,890,925	43,129,155	60.4
Social security benefits (received)						
Number of returns.....	12,136,792	12,487,903	13,627,723	13,753,080	13,869,265	0.8
Amount.....	154,953,370	163,232,494	186,586,863	196,524,465	205,658,281	4.6

Footnotes at end of table.

Table A--Selected Income and Tax Items for Selected Years, 1998-2002, in Current and Constant 1990 Dollars--Continued¹

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Item	Current dollars					Percent change, 2001 to 2002
	1998	1999	2000	2001	2002	
	(1)	(2)	(3)	(4)	(5)	(6)
Taxable social security benefits in AGI						
Number of returns.....	8,941,171	9,459,189	10,608,572	10,779,279	10,702,502	-0.7
Amount.....	68,702,700	75,078,976	89,964,021	93,559,363	93,459,494	-0.1
Foreign earned income exclusion ²						
Number of returns.....	308,284	314,486	358,391	292,006	316,931	8.5
Amount.....	13,455,924	14,136,544	15,239,672	13,944,765	14,936,779	7.1
Net operating loss ²						
Number of returns.....	539,802	578,583	527,417	611,473	670,081	9.6
Amount.....	48,297,886	49,634,620	48,096,275	54,475,064	58,126,147	6.7
Other income, net gain less loss ²						
Number of returns.....	5,088,222	5,160,532	5,815,404	5,610,987	5,467,631	-2.6
Amount.....	21,554,040	22,879,779	25,370,158	19,508,967	19,100,950	-2.1
Total income, net gain less loss						
Number of returns.....	124,652,387	126,840,986	129,148,570	130,014,403	129,837,130	-0.1
Amount.....	5,467,503,555	5,912,166,710	6,423,986,106	6,231,176,710	6,110,746,964	-1.9
Educator expenses						
Number of returns.....	N/A	N/A	N/A	N/A	2,884,403	(X)
Amount.....	N/A	N/A	N/A	N/A	712,505	(X)
Total taxpayer IRA adjustment						
Number of returns.....	3,868,017	3,687,149	3,505,032	3,448,457	3,277,671	-5.0
Amount.....	8,188,452	7,883,438	7,477,074	7,406,866	9,462,404	27.8
Student loan interest deduction						
Number of returns.....	3,763,742	4,136,505	4,477,986	4,405,667	6,640,784	50.7
Amount.....	1,730,768	2,254,531	2,639,472	2,711,733	4,659,546	71.8
Tuition and fees deduction.....						
Number of returns.....	N/A	N/A	N/A	N/A	3,444,941	(X)
Amount.....	N/A	N/A	N/A	N/A	6,154,145	(X)
Archer medical savings account deduction						
Number of returns.....	42,235	50,393	65,415	69,957	61,118	-12.6
Amount.....	62,071	81,977	120,330	123,296	121,282	-1.6
Moving expenses						
Number of returns.....	809,246	986,313	956,586	944,791	947,470	0.3
Amount.....	1,684,183	2,230,965	2,137,803	2,180,570	2,215,391	1.6
One-half of self-employment tax						
Number of returns.....	13,756,483	14,029,609	14,300,140	14,574,036	14,664,473	0.6
Amount.....	15,960,341	16,689,650	17,392,967	18,134,959	18,687,162	3.0
Self-employed health insurance						
Number of returns.....	3,380,867	3,491,539	3,564,624	3,559,792	3,571,152	0.3
Amount.....	4,693,286	6,755,071	7,569,198	8,177,397	10,494,247	28.3
Keogh retirement plan						
Number of returns.....	1,177,487	1,264,007	1,287,706	1,290,496	1,186,947	-8.0
Amount.....	11,039,683	11,928,242	12,475,396	13,114,412	16,349,738	24.7
Penalty on early withdrawal of savings						
Number of returns.....	828,922	805,367	863,436	890,649	804,926	-9.6
Amount.....	217,913	236,115	286,507	197,533	192,750	-2.4
Alimony paid adjustment						
Number of returns.....	590,898	610,609	656,724	656,635	587,219	-10.6
Amount.....	6,877,808	7,247,919	7,460,164	7,472,718	7,183,522	-3.9
Foreign housing deductions						
Number of returns.....	1,543	5,782	4,411	4,122	2,074	-49.7
Amount.....	38,994	77,574	42,400	92,074	54,614	-40.7
Other adjustments						
Number of returns.....	164,646	198,438	170,106	183,906	208,348	13.3
Amount.....	1,037,209	1,313,318	1,008,208	961,209	1,064,125	10.7
Total statutory adjustments						
Number of returns.....	21,998,366	22,659,973	23,197,425	23,497,092	28,911,078	23.0
Amount.....	51,530,709	56,698,800	58,609,518	60,572,768	77,161,432	27.4
Adjusted gross income or loss (AGI)						
Amount.....	5,415,972,847	5,855,467,909	6,365,376,648	6,170,603,942	6,033,585,532	-2.2

Footnotes at end of table.

Table A--Selected Income and Tax Items for Selected Years, 1998-2002, in Current and Constant 1990 Dollars--Continued¹

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Item	Current dollars					Percent change, 2001 to 2002
	1998	1999	2000	2001	2002	
	(1)	(2)	(3)	(4)	(5)	(6)
Total itemized deductions						
Number of returns.....	38,186,186	40,244,305	42,534,320	44,562,307	45,647,551	2.4
Amount.....	676,460,336	741,376,847	822,360,510	884,528,260	898,047,320	1.5
Total standard deduction						
Number of returns.....	85,576,463	85,755,366	85,670,504	84,238,232	82,655,191	-1.9
Amount.....	459,457,374	463,960,491	470,820,881	481,907,591	492,067,532	2.1
Basic standard deduction						
Number of returns.....	85,576,463	85,755,366	85,670,504	84,238,232	82,655,191	-1.9
Amount.....	445,400,450	449,696,182	456,084,883	466,971,032	477,170,045	2.2
Additional standard deduction						
Number of returns.....	11,081,634	11,200,024	11,330,554	11,116,629	10,857,098	-2.3
Amount.....	14,056,924	14,264,309	14,735,998	14,936,559	14,897,487	-0.3
AGI less deductions						
Number of returns.....	111,924,583	113,863,898	116,391,403	115,862,109	114,976,167	-0.8
Amount.....	4,357,840,879	4,730,367,366	5,157,822,794	4,910,329,307	4,760,885,833	-3.0
Number of exemptions.....	245,592,958	248,657,119	252,332,427	256,186,046	258,716,374	1.0
Exemption amount.....	650,347,285	669,241,317	690,109,474	727,554,990	761,440,430	4.7
Taxable income						
Number of returns.....	100,801,271	102,845,571	105,259,292	104,174,655	102,275,969	-1.8
Amount.....	3,780,838,200	4,136,119,714	4,544,242,424	4,268,506,425	4,096,127,651	-4.0
Tax from table, rate schedules, etc.						
Number of returns.....	100,793,439	102,831,402	105,254,144	104,163,693	102,266,930	-1.8
Amount.....	813,227,104	906,345,754	1,008,626,180	926,642,321	829,839,121	-10.4
Additional taxes						
Number of returns.....	47,690	36,960	23,487	25,334	13,291	-47.5
Amount.....	341,757	466,001	126,524	198,998	153,564	-22.8
Alternative minimum tax						
Number of returns.....	853,433	1,018,063	1,304,198	1,120,047	1,910,789	70.6
Amount.....	5,014,549	6,477,697	9,600,840	6,756,705	6,853,901	1.4
Income tax before credits						
Number of returns.....	100,797,716	102,834,362	105,277,966	104,195,834	102,293,722	-1.8
Amount.....	813,568,861	906,811,755	1,018,218,948	933,567,474	836,842,718	-10.4
Foreign tax credit						
Number of returns.....	2,995,294	3,266,544	3,935,699	3,942,604	3,748,974	-4.9
Amount.....	4,677,022	4,941,010	5,990,360	6,254,559	5,933,600	-5.1
Child care credit						
Number of returns.....	6,128,155	6,182,193	6,368,101	6,184,508	6,185,855	(Z)
Amount.....	2,660,573	2,675,147	2,793,860	2,721,061	2,706,539	-0.5
Credit for elderly or disabled						
Number of returns.....	180,473	181,813	155,796	139,097	133,538	-4.0
Amount.....	35,689	33,629	32,608	30,496	21,119	-30.7
Education credits						
Number of returns.....	4,652,596	6,436,654	6,815,316	7,212,554	6,544,536	-9.3
Amount.....	3,376,647	4,772,443	4,851,178	5,156,254	5,012,744	-2.8
Retirement savings contributions credit						
Number of returns.....	N/A	N/A	N/A	N/A	5,307,176	(X)
Amount.....	N/A	N/A	N/A	N/A	1,058,219	(X)
Child tax credit						
Number of returns.....	24,810,781	26,016,019	26,404,521	26,452,875	25,939,801	-1.9
Amount.....	15,143,468	19,398,625	19,689,359	22,427,229	21,520,271	-4.0
Adoption credit						
Number of returns.....	40,668	47,349	42,681	47,737	55,905	17.1
Amount.....	83,046	103,016	91,866	88,781	234,109	163.7
General business credit						
Number of returns.....	272,197	287,658	275,115	269,648	284,720	5.6
Amount.....	732,487	783,920	764,253	713,974	750,855	5.2
Prior year minimum tax credit						
Number of returns.....	108,583	166,010	199,554	248,255	193,776	-21.9
Amount.....	818,389	996,461	1,287,661	1,438,041	976,398	-32.1
Total credits ³						
Number of returns.....	32,114,860	34,813,611	36,028,685	49,066,700	38,846,217	-20.8
Amount.....	27,823,908	33,974,279	35,753,613	44,160,998	38,747,463	-12.3
Income tax less credits ¹						
Number of returns.....	96,581,077	97,752,068	100,163,625	97,389,985	93,565,243	-3.9
Amount.....	785,744,954	872,837,476	982,465,335	889,406,476	798,095,255	-10.3
Self-employment tax						
Number of returns.....	13,757,431	14,029,609	14,300,140	14,575,011	14,664,473	0.6
Amount.....	31,914,256	33,372,365	34,778,824	36,262,878	37,367,003	3.0
Recapture taxes						
Number of returns.....	22,300	12,243	14,144	11,686	14,684	25.7
Amount.....	238,980	215,699	298,862	286,974	117,943	-58.9

Footnotes at end of table.

Table A--Selected Income and Tax Items for Selected Years, 1998-2002, in Current and Constant 1990 Dollars--Continued¹

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Item	Current dollars					Percent change, 2001 to 2002
	1998	1999	2000	2001	2002	
	(1)	(2)	(3)	(4)	(5)	(6)
Social security, Medicare tax on tip income not reported						
Number of returns.....	245,028	254,489	265,007	288,275	238,185	-17.4
Amount.....	26,264	29,477	35,753	35,879	31,446	-12.4
Tax on qualified retirement plans						
Number of returns.....	3,786,186	4,076,050	4,334,527	4,571,187	4,896,938	7.1
Amount.....	2,699,419	3,074,825	3,414,692	3,259,975	3,498,067	7.3
Advanced earned income credit payments						
Number of returns.....	217,555	171,629	174,967	135,554	156,376	15.4
Amount.....	105,877	94,004	72,958	51,492	73,904	43.5
Household employment taxes						
Number of returns.....	284,706	286,175	259,906	250,622	229,722	-8.3
Amount.....	752,307	759,438	795,638	804,086	703,931	-12.5
Total tax liability						
Number of returns.....	100,813,446	102,194,476	104,685,747	102,557,013	99,559,612	-2.9
Amount.....	826,621,050	916,992,618	1,022,172,309	930,280,996	839,977,103	-9.7
Income tax withheld						
Number of returns.....	109,144,689	111,193,931	113,733,442	114,798,386	114,861,744	0.1
Amount.....	636,248,491	695,526,980	763,901,388	773,325,891	717,492,263	-7.2
Estimated tax payments						
Number of returns.....	13,072,121	13,169,356	13,326,669	13,167,856	12,434,579	-5.6
Amount.....	177,750,952	196,915,946	221,621,893	220,195,712	198,177,595	-10.0
Earned income credit ¹						
Number of returns.....	19,704,707	19,260,339	19,277,225	19,593,121	21,703,187	10.8
Amount.....	31,591,789	31,903,081	32,296,350	33,375,971	38,198,572	14.4
Additional child tax credit						
Number of returns.....	754,363	985,579	1,104,143	8,562,900	10,937,417	27.7
Amount.....	508,972	812,404	977,641	4,994,877	6,415,753	28.4
Payment with an extension request						
Number of returns.....	1,540,573	1,510,206	1,610,937	1,448,213	1,235,156	-14.7
Amount.....	45,640,225	53,984,319	63,396,711	42,495,018	36,321,934	-14.5
Excess social security tax withheld						
Number of returns.....	1,303,642	1,377,613	1,640,582	1,436,745	1,145,352	-20.3
Amount.....	1,523,584	1,712,649	2,184,849	1,915,349	1,564,478	-18.3
Other payments:						
Form 2439						
Number of returns.....	41,688	37,879	50,698	20,955	19,422	-7.3
Amount.....	46,076	151,723	399,047	88,649	37,701	-57.5
Form 4136						
Number of returns.....	446,489	426,878	395,555	386,698	365,868	-5.4
Amount.....	108,376	95,029	90,578	108,963	101,459	-6.9
Form 8885						
Number of returns.....	N/A	N/A	N/A	N/A	5,322	(X)
Amount.....	N/A	N/A	N/A	N/A	1,967	(X)
Total payments ¹						
Number of returns.....	117,835,317	119,809,259	122,243,874	123,451,338	123,462,930	(Z)
Amount.....	893,418,466	981,100,157	1,084,868,447	1,076,500,696	998,311,722	-7.3
Overpayment, total						
Number of returns.....	93,434,624	94,827,237	95,921,082	102,310,895	103,462,884	1.1
Amount.....	167,987,055	182,049,186	196,198,780	236,981,755	239,784,002	1.2
Overpayment refunded						
Number of returns.....	90,233,356	91,600,741	93,000,030	99,011,975	100,143,606	1.1
Amount.....	144,445,788	155,513,635	167,577,365	202,274,032	205,987,348	1.8
Refund credited to next year						
Number of returns.....	4,567,379	4,514,663	4,255,215	5,408,878	5,418,534	0.2
Amount.....	23,541,268	26,535,551	28,621,415	34,708,129	33,796,653	-2.6
Tax due at time of filing						
Number of returns.....	28,429,856	29,200,902	30,624,423	24,581,181	22,818,761	-7.2
Amount.....	102,151,442	119,091,512	134,944,362	91,830,967	82,287,723	-10.4
Tax penalty						
Number of returns.....	5,019,736	5,285,114	5,813,525	5,318,905	5,149,988	-3.2
Amount.....	961,802	1,149,865	1,441,719	1,060,320	838,341	-20.9

Footnotes at end of table.

Table A--Selected Income and Tax Items for Selected Years, 1998-2002, in Current and Constant 1990 Dollars--Continued¹

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Item	Constant 1990 dollars ⁵					Percent change, 2001 to 2002
	1998	1999	2000	2001	2002	
	(7)	(8)	(9)	(10)	(11)	(12)
All returns.....	124,770,662	127,075,145	129,373,500	130,255,237	130,076,443	-0.1
Form 1040 returns.....	71,162,837	74,165,814	78,846,102	80,500,011	80,748,948	0.3
Electronically filed returns.....	9,450,121	13,173,514	16,018,213	20,811,215	24,843,419	19.4
Form 1040A returns.....	25,987,822	26,961,302	28,826,589	28,293,817	28,714,328	1.5
Electronically filed returns.....	10,285,487	12,462,963	13,889,642	15,007,182	16,839,599	12.2
Form 1040EZ returns.....	20,830,173	20,752,420	21,700,809	21,461,409	20,613,167	-4.0
Electronically filed returns.....	9,150,964	9,858,843	10,170,740	11,043,091	11,115,806	0.7
Form 1040PC returns.....	6,789,831	5,195,609	N/A	N/A	N/A	(X)
Salaries & wages						
Number of returns.....	106,535,263	108,183,782	110,168,714	111,227,450	110,938,441	-0.3
Amount.....	3,093,909,297	3,241,155,654	3,381,007,161	3,369,172,855	3,313,728,854	-1.6
Taxable interest received						
Number of returns.....	67,231,792	67,218,877	68,046,458	67,479,816	63,584,806	-5.8
Amount.....	142,211,828	137,784,499	151,230,402	146,256,689	108,302,979	-26.0
Tax-exempt interest						
Number of returns.....	4,778,374	4,801,877	4,658,345	4,557,381	4,453,829	-2.3
Amount.....	40,050,530	41,186,672	40,934,656	41,020,204	39,654,401	-3.3
Dividends in AGI						
Number of returns.....	30,423,274	32,226,492	34,140,604	32,621,151	31,409,759	-3.7
Amount.....	94,481,652	103,894,527	111,523,277	88,216,475	75,030,038	-14.9
State income tax refund						
Number of returns.....	19,544,265	20,811,334	20,921,057	22,132,023	23,838,529	7.7
Amount.....	11,728,743	14,098,984	13,892,136	15,660,147	17,351,608	10.8
Alimony received						
Number of returns.....	437,410	418,989	442,335	437,859	425,963	-2.7
Amount.....	4,081,438	4,278,821	4,698,260	4,934,212	4,740,566	-3.9
Business or profession net income, less loss						
Number of returns.....	17,104,786	17,312,125	17,600,010	18,018,349	18,597,305	3.2
Amount.....	161,403,600	163,462,013	162,265,063	159,979,702	160,453,177	0.3
Net capital gain in AGI less loss						
Number of returns.....	25,690,397	21,493,841	22,875,460	23,470,401	23,249,625	-0.9
Amount.....	355,728,739	416,310,538	466,418,522	239,977,094	173,232,891	-27.8
Capital gain distributions reported on Form 1040						
Number of returns.....	N/A	6,206,662	6,645,305	2,486,027	939,523	-62.2
Amount.....	N/A	9,382,102	11,989,999	1,002,574	305,459	-69.5
Sales of property other than capital assets, net gain less loss						
Number of returns.....	1,719,937	1,732,925	1,700,051	1,615,884	1,728,377	7.0
Amount.....	-1,256,537	-1,342,973	-697,370	-1,399,997	-1,734,397	-23.9
Total IRA distributions						
Number of returns.....	8,530,379	8,751,378	9,381,311	9,363,959	8,889,787	-5.1
Amount.....	106,345,650	98,287,313	104,949,807	87,501,884	87,513,180	0.0
Taxable IRA distributions in AGI						
Number of returns.....	7,774,091	8,129,376	8,732,291	8,834,138	8,291,357	-6.1
Amount.....	59,086,417	68,345,813	75,088,488	69,614,454	64,112,995	-7.9
Total pensions & annuities						
Number of returns.....	22,211,348	23,180,716	23,793,404	24,317,375	24,857,470	2.2
Amount.....	352,090,419	398,617,157	418,823,723	393,302,084	407,726,455	3.7
Taxable pensions & annuities in AGI						
Number of returns.....	20,473,407	21,343,646	21,765,211	22,262,775	22,794,417	2.4
Amount.....	223,803,986	238,675,070	247,213,734	249,996,612	260,058,837	4.0
Rents, royalties, partnerships, estates, trusts, etc.						
Number of returns.....	14,647,697	14,536,311	14,332,632	14,542,983	14,683,765	1.0
Amount.....	174,847,624	193,405,020	191,263,583	197,951,443	202,174,889	2.1
Farm net income less loss						
Number of returns.....	2,091,845	2,046,308	2,061,784	2,006,871	1,995,073	-0.6
Amount.....	-6,326,777	-4,896,405	-6,854,460	-8,121,610	-10,479,447	-29.0
Unemployment compensation in AGI						
Number of returns.....	7,082,562	6,775,723	6,478,292	8,799,885	10,334,639	17.4
Amount.....	13,408,827	13,749,631	12,832,553	19,845,701	31,343,863	57.9
Social security benefits (received)						
Number of returns.....	12,136,792	12,487,903	13,627,723	13,753,080	13,869,265	0.8
Amount.....	123,567,281	128,025,485	141,568,181	145,036,506	149,460,960	3.1

Footnotes at end of table.

Table A--Selected Income and Tax Items for Selected Years, 1998-2002, in Current and Constant 1990 Dollars--Continued¹

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Item	Constant 1990 dollars ^s					Percent change, 2001 to 2002
	1998	1999	2000	2001	2002	
	(7)	(8)	(9)	(10)	(11)	(12)
Taxable social security benefits in AGI						
Number of returns.....	8,941,171	9,459,189	10,608,572	10,779,279	10,702,502	-0.7
Amount.....	54,786,842	58,885,471	68,257,983	69,047,500	67,921,144	-1.6
Foreign earned income exclusion ²						
Number of returns.....	308,284	314,486	358,391	292,006	316,931	8.5
Amount.....	10,730,402	11,087,485	11,562,725	10,291,339	10,855,217	5.5
Net operating loss ²						
Number of returns.....	539,802	578,583	527,417	611,473	670,081	9.6
Amount.....	38,515,061	38,929,114	36,491,863	40,202,999	42,242,839	5.1
Other income, net gain less loss ²						
Number of returns.....	5,088,222	5,160,532	5,815,404	5,610,987	5,467,631	-2.6
Amount.....	17,188,230	17,944,925	19,248,982	14,397,762	13,881,504	-3.6
Total income, net gain less loss						
Number of returns.....	124,652,387	126,840,986	129,148,570	130,014,403	129,837,130	-0.1
Amount.....	4,360,050,682	4,636,993,498	4,874,041,052	4,598,654,399	4,440,949,828	-3.4
Educator expenses						
Number of returns.....	N/A	N/A	N/A	N/A	2,884,403	(X)
Amount.....	N/A	N/A	N/A	N/A	517,809	(X)
Total taxpayer IRA adjustment						
Number of returns.....	3,868,017	3,687,149	3,505,032	3,448,457	3,277,671	-5.0
Amount.....	6,529,866	6,183,089	5,673,046	5,466,322	6,876,747	25.8
Student loan interest deduction						
Number of returns.....	3,763,742	4,136,505	4,477,986	4,405,667	6,640,784	50.7
Amount.....	1,380,198	1,768,260	2,002,634	2,001,279	3,386,298	69.2
Tuition and fees deduction.....						
Number of returns.....	N/A	N/A	N/A	N/A	3,444,941	(X)
Amount.....	N/A	N/A	N/A	N/A	4,472,489	(X)
Medical savings account deduction						
Number of returns.....	42,235	50,393	65,415	69,957	61,118	-12.6
Amount.....	49,498	64,296	91,297	90,993	88,141	-3.1
Moving expenses						
Number of returns.....	809,246	986,313	956,586	944,791	947,470	0.3
Amount.....	1,343,049	1,749,776	1,622,005	1,609,277	1,610,023	0.0
One-half of self-employment tax						
Number of returns.....	13,756,483	14,029,609	14,300,140	14,574,036	14,664,473	0.6
Amount.....	12,727,545	13,089,922	13,196,485	13,383,734	13,580,786	1.5
Self-employed health insurance						
Number of returns.....	3,380,867	3,491,539	3,564,624	3,559,792	3,571,152	0.3
Amount.....	3,742,652	5,298,095	5,742,942	6,034,979	7,626,633	26.4
Keogh retirement plan						
Number of returns.....	1,177,487	1,264,007	1,287,706	1,290,496	1,186,947	-8.0
Amount.....	8,803,575	9,355,484	9,465,399	9,678,533	11,882,077	22.8
Penalty on early withdrawal of savings						
Number of returns.....	828,922	805,367	863,436	890,649	804,926	-9.6
Amount.....	173,774	185,188	217,380	145,781	140,080	-3.9
Alimony paid adjustment						
Number of returns.....	590,898	610,609	656,724	656,635	587,219	-10.6
Amount.....	5,484,695	5,684,642	5,660,215	5,514,921	5,220,583	-5.3
Foreign housing deductions						
Number of returns.....	1,543	5,782	4,411	4,122	2,074	-49.7
Amount.....	31,096	60,842	32,170	67,951	39,690	-41.6
Other adjustments						
Number of returns.....	164,646	198,438	170,106	183,906	208,348	13.3
Amount.....	827,120	1,030,053	764,953	709,379	773,347	9.0
Total statutory adjustments						
Number of returns.....	21,998,366	22,659,973	23,197,425	23,497,092	28,911,078	23.0
Amount.....	41,093,069	44,469,647	44,468,527	44,703,150	56,076,622	25.4
Adjusted gross income or loss (AGI)						
Amount.....	4,318,957,613	4,592,523,850	4,829,572,571	4,553,951,249	4,384,873,206	-3.7

Footnotes at end of table.

Table A--Selected Income and Tax Items for Selected Years, 1998-2002, in Current and Constant 1990 Dollars--Continued¹

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Item	Constant 1990 dollars ⁵					Percent change, 2001 to 2002
	1998	1999	2000	2001	2002	
	(7)	(8)	(9)	(10)	(11)	(12)
Total itemized deductions						
Number of returns.....	38,186,186	40,244,305	42,534,320	44,562,307	45,647,551	2.4
Amount.....	539,442,054	581,472,037	623,945,759	652,788,384	652,650,669	-0.0
Total standard deduction						
Number of returns.....	85,576,463	85,755,366	85,670,504	84,238,232	82,655,191	-1.9
Amount.....	366,393,440	363,890,581	357,223,734	355,651,359	357,607,218	0.5
Basic standard deduction						
Number of returns.....	85,576,463	85,755,366	85,670,504	84,238,232	82,655,191	-1.9
Amount.....	355,183,772	352,702,888	346,043,159	344,628,068	346,780,556	0.6
Additional standard deduction						
Number of returns.....	11,081,634	11,200,024	11,330,554	11,116,629	10,857,098	-2.3
Amount.....	11,209,668	11,187,693	11,180,575	11,023,291	10,826,662	-1.8
AGI less deductions						
Number of returns.....	111,924,583	113,863,898	116,391,403	115,862,109	114,976,167	-0.8
Amount.....	3,475,152,216	3,710,092,052	3,913,370,860	3,623,859,267	3,459,946,100	-4.5
Number of exemptions.....	245,592,958	248,657,119	252,332,427	256,186,046	258,716,374	1.0
Exemption amount.....	518,618,250	524,895,151	523,603,546	536,940,952	553,372,406	3.1
Taxable income						
Number of returns.....	100,801,271	102,845,571	105,259,292	104,174,655	102,275,969	-1.8
Amount.....	3,015,022,488	3,244,015,462	3,447,831,885	3,150,189,244	2,976,836,956	-5.5
Tax from table, rate schedules, etc.						
Number of returns.....	100,793,439	102,831,402	105,254,144	104,163,693	102,266,930	-1.8
Amount.....	648,506,463	710,859,415	765,270,243	683,868,872	603,080,757	-11.8
Additional taxes						
Number of returns.....	47,690	36,960	23,487	25,334	13,291	-47.5
Amount.....	272,533	365,491	95,997	146,862	111,602	-24.0
Alternative minimum tax						
Number of returns.....	853,433	1,018,063	1,304,198	1,120,047	1,910,789	70.6
Amount.....	3,998,843	5,080,547	7,284,401	4,986,498	4,981,033	-0.1
Income tax before credits						
Number of returns.....	100,797,716	102,834,362	105,277,966	104,195,834	102,293,722	-1.8
Amount.....	648,778,996	711,224,906	772,548,519	688,979,686	608,170,580	-11.7
Foreign tax credit						
Number of returns.....	2,995,294	3,266,544	3,935,699	3,942,604	3,748,974	-4.9
Amount.....	3,729,683	3,875,302	4,545,038	4,615,911	4,312,209	-6.6
Child care credit						
Number of returns.....	6,128,155	6,182,193	6,368,101	6,184,508	6,185,855	(Z)
Amount.....	2,121,669	2,098,155	2,119,772	2,008,163	1,966,961	-2.1
Credit for elderly or disabled						
Number of returns.....	180,473	181,813	155,796	139,097	133,538	-4.0
Amount.....	28,460	26,376	24,741	22,506	15,348	-31.8
Education credits						
Number of returns.....	4,652,596	6,436,654	6,815,316	7,212,554	6,544,536	-9.3
Amount.....	2,692,701	3,743,093	3,680,712	3,805,354	3,642,983	-4.3
Retirement savings contributions credit						
Number of returns.....	N/A	N/A	N/A	N/A	5,307,176	(X)
Amount.....	N/A	N/A	N/A	N/A	769,055	(X)
Child tax credit						
Number of returns.....	24,810,781	26,016,019	26,404,521	26,452,875	25,939,801	-1.9
Amount.....	12,076,131	15,214,608	14,938,816	16,551,461	15,639,732	-5.5
Adoption credit						
Number of returns.....	40,668	47,349	42,681	47,737	55,905	17.1
Amount.....	66,225	80,797	69,701	65,521	170,137	159.7
General business credit						
Number of returns.....	272,197	287,658	275,115	269,648	284,720	5.6
Amount.....	584,120	614,839	579,858	526,918	545,680	3.6
Prior year minimum tax credit						
Number of returns.....	108,583	166,010	199,554	248,255	193,776	-21.9
Amount.....	652,623	781,538	976,981	1,061,285	709,592	-33.1
Total credits ³						
Number of returns.....	32,114,860	34,813,611	36,028,685	49,066,700	38,846,217	-20.8
Amount.....	22,188,124	26,646,493	27,127,172	32,591,142	28,159,493	-13.6
Income tax less credits ¹						
Number of returns.....	96,581,077	97,752,068	100,163,625	97,389,985	93,565,243	-3.9
Amount.....	626,590,872	684,578,413	745,421,347	656,388,543	580,011,086	-11.6
Self-employment tax						
Number of returns.....	13,757,431	14,029,609	14,300,140	14,575,011	14,664,473	0.6
Amount.....	25,449,965	26,174,404	26,387,575	26,762,272	27,156,252	1.5
Recapture taxes						
Number of returns.....	22,300	12,243	14,144	11,686	14,684	25.7
Amount.....	190,574	169,176	226,754	211,789	85,714	-59.5

Footnotes at end of table.

Table A--Selected Income and Tax Items for Selected Years, 1998-2002, in Current and Constant 1990 Dollars--Continued¹

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Item	Constant 1990 dollars ⁵					Percent change, 2001 to 2002
	1998	1999	2000	2001	2002	
	(7)	(8)	(9)	(10)	(11)	(12)
Social security, Medicare tax on tip income not reported						
Number of returns.....	245,028	254,489	265,007	288,275	238,185	-17.4
Amount.....	20,944	23,119	27,127	26,479	22,853	-13.7
Tax on qualified retirement plans						
Number of returns.....	3,786,186	4,076,050	4,334,527	4,571,187	4,896,938	7.1
Amount.....	2,152,647	2,411,627	2,590,813	2,405,886	2,542,200	5.7
Advanced earned income credit payments						
Number of returns.....	217,555	171,629	174,967	135,554	156,376	15.4
Amount.....	84,431	73,729	55,355	38,001	53,709	41.3
Household employment taxes						
Number of returns.....	284,706	286,175	259,906	250,622	229,722	-8.3
Amount.....	599,926	595,638	603,671	593,421	511,578	-13.8
Total tax liability						
Number of returns.....	100,813,446	102,194,476	104,685,747	102,557,013	99,559,612	-2.9
Amount.....	659,187,440	719,209,896	775,548,034	686,554,241	610,448,476	-11.1
Income tax withheld						
Number of returns.....	109,144,689	111,193,931	113,733,442	114,798,386	114,861,744	0.1
Amount.....	507,375,192	545,511,357	579,591,341	570,720,215	521,433,331	-8.6
Estimated tax payments						
Number of returns.....	13,072,121	13,169,356	13,326,669	13,167,856	12,434,579	-5.6
Amount.....	141,747,171	154,443,879	168,150,146	162,506,061	144,024,415	-11.4
Earned income credit ¹						
Number of returns.....	19,704,707	19,260,339	19,277,225	19,593,121	21,703,187	10.8
Amount.....	25,192,814	25,022,024	24,504,059	24,631,713	27,760,590	12.7
Additional child tax credit						
Number of returns.....	754,363	985,579	1,104,143	8,562,900	10,937,417	27.7
Amount.....	405,879	637,180	741,761	3,686,256	4,662,611	26.5
Payment with an extension request						
Number of returns.....	1,540,573	1,510,206	1,610,937	1,448,213	1,235,156	-14.7
Amount.....	36,395,714	42,340,642	48,100,691	31,361,637	26,396,754	-15.8
Excess social security tax withheld						
Number of returns.....	1,303,642	1,377,613	1,640,582	1,436,745	1,145,352	-20.3
Amount.....	1,214,979	1,343,254	1,657,700	1,413,542	1,136,975	-19.6
Other payments:						
Form 2439						
Number of returns.....	41,688	37,879	50,698	20,955	19,422	-7.3
Amount.....	36,743	118,998	302,767	65,424	27,399	-58.1
Form 4136						
Number of returns.....	446,489	426,878	395,555	386,698	365,868	-5.4
Amount.....	86,424	74,533	68,724	80,415	73,735	-8.3
Form 8885						
Number of returns.....	N/A	N/A	N/A	N/A	5,322	(X)
Amount.....	N/A	N/A	N/A	N/A	1,430	(X)
Total payments ¹						
Number of returns.....	117,835,317	119,809,259	122,243,874	123,451,338	123,462,930	(Z)
Amount.....	712,454,917	769,490,319	823,117,183	794,465,458	725,517,240	-8.7
Overpayment, total						
Number of returns.....	93,434,624	94,827,237	95,921,082	102,310,895	103,462,884	1.1
Amount.....	133,960,969	142,783,675	148,860,986	174,894,284	174,261,629	-0.4
Overpayment refunded						
Number of returns.....	90,233,356	91,600,741	93,000,030	99,011,975	100,143,606	1.1
Amount.....	115,188,029	121,971,478	127,145,193	149,279,728	149,700,108	0.3
Refund credited to next year						
Number of returns.....	4,567,379	4,514,663	4,255,215	5,408,878	5,418,534	0.2
Amount.....	18,772,941	20,812,197	21,715,793	25,614,855	24,561,521	-4.1
Tax due at time of filing						
Number of returns.....	28,429,856	29,200,902	30,624,423	24,581,181	22,818,761	-7.2
Amount.....	81,460,480	93,405,107	102,385,707	67,771,931	59,802,124	-11.8
Tax penalty						
Number of returns.....	5,019,736	5,285,114	5,813,525	5,318,905	5,149,988	-3.2
Amount.....	766,987	901,855	1,093,869	782,524	609,259	-22.1

¹ All items correspond to the Form 1040 line items. Therefore, some may differ from the SOI items shown in the Basic Tables in Section 3.

N/A = Not applicable

² Line 21 on Form 1040 consists of other income minus foreign earned income exclusion and net operating loss.

(Z) Less than .05 percent.

³ Total credits includes the values for mortgage interest tax credit and "other credits" not tabulated here.

(X) Percentage not computed.

⁴ Total tax liability includes the values for "other taxes" not tabulated here.⁵ Inflation-adjusted data were calculated using the consumer price index from the Bureau of Labor Statistics; based on 1990=100 when 1990 CPI-U = 130.7; 2002 CPI-U = 179.9; 2001 CPI-U = 177.1; 2000 CPI-U = 172.2; 1999 CPI-U = 166.6; 1998 CPI-U = 163.9.

Figure 1--General Filing Requirements

Marital Status	Filing Status	Age	Gross Income
Single (including divorced and legally separated)	Single	under 65	\$7,700
		65 or older	\$8,850
	Head of household	under 65	\$9,900
		65 or older	\$11,050
Married with a child and living apart from spouse during the last six months of 2002	Head of household	under 65 65 or older	\$9,900 \$11,050
Married and living with spouse at the end of 2002 (or on the date spouse died)	Married, joint return	under 65 (both spouses)	\$13,850
		65 or older (one spouse)	\$14,750
		65 or older (both spouses)	\$15,650
	Married, separate return	any age	\$3,000
Married, not living with spouse at the end of 2002 (or on the date spouse died)	Married, joint or separate return	any age	\$3,000
Widowed in 2000 or 2001 and not remarried in 2002	Single	under 65	\$7,700
		65 or older	\$8,850
	Head of household	under 65	\$9,900
		65 or older	\$11,050
	Qualifying widow(er) with dependent child	under 65 65 or older	\$10,850 \$11,750

Requirements for Filing

The filing requirements for Tax Year 2002 were based on gross income, marital status, age, and, to a lesser extent, dependency and blindness. Gross income included all income received in the form of money, property, and services that was not expressly exempt from tax. Generally, a citizen or resident of the United States was required to file a tax return if gross income for the year was at least as much as the amount shown for the appropriate filing status in Figure 1. Figure 2 shows the filing requirements for taxpayers who could be claimed as a dependent by another person (such as a parent).

In addition to the general filing requirements, an individual was obligated to file a return for Tax Year 2002 if he or she:

1. Was liable for any of the following taxes:
 - Social security or Medicare tax on unreported tip income;
 - Uncollected social security, Medicare, or railroad retirement tax on reported tip income or group-term life insurance;
 - Alternative minimum tax;
 - Tax on an individual retirement arrangement (IRA) or a qualified retirement plan;
 - Tax from the recapture of investment credit or low-income housing credit;
 - Tax from medical savings accounts (MSA);

Figure 2.-Filing Requirements for Children and Other Dependents

If someone (such as a parent) can claim the individual as a dependent, and any of the four conditions listed below applies, he or she must file a return.

In this chart unearned income includes taxable interest, ordinary dividends, and capital gain distributions. Earned income includes wages, tips, and taxable scholarship and fellowship grants. Gross income is the total of unearned and earned income.

Caution: If an individual's gross income was \$3,000 or more, he or she generally could not be claimed as a dependent unless the individual was under age 19 or under age 24 and a full-time student.

1. Single dependents under 65 must file a return if-

- Earned income was more than \$4,700, or
- Unearned income was over \$750, or
- Gross income was more than the larger of (a) \$750 or (b) earned income (up to \$4,450) plus \$250.

2. Single dependents 65 or older or blind must file a return if-

- Earned income was more than \$5,850 (\$7,000 if 65 or older and blind), or
- Unearned income was more than \$1,900 (\$3,050 if 65 or older and blind), or
- Gross income was more than the total of earned income (up to \$4,450) plus \$250 or \$750, whichever is larger; plus \$1,150 (\$2,300 if 65 or older and blind).

3. Married dependents under 65 must file a return if-

- Gross income was at least \$5 and spouse files a separate return on Form 1040 and itemizes deductions.
- Earned income was more than \$3,925, or
- Unearned income was over \$750, or
- Gross income was more than the larger of \$750 or earned income (up to \$3,675) plus \$250.

4. Married dependents 65 or older or blind must file a return if-

- Earned income was more than \$4,825 (\$5,725 if 65 or older and blind), or
- Unearned was more than \$1,650 (\$2,550 if 65 or older and blind), or
- Gross income was more than the total of earned income (up to \$3,675) plus \$250 or \$750, whichever is larger, plus \$900 (\$1,800 if 65 or older and blind).
- Gross income was at least \$5 and spouse files a separate return on Form 1040 and itemizes deductions.

2. Received any advanced earned income credit (AEIC) payments.
3. Had net earnings from self-employment of at least \$400; or
4. Had wages of \$108.28 or more from a church or qualified church-controlled organization that was exempt from employer social security and Medicare taxes.

Data shown in this report include individuals who were not required to file tax returns, but did so for any of a number of reasons. For example, an individual might have filed a return to obtain a refund of tax withheld, or take advantage of the earned income credit.

Changes in Law or Administrative Procedures

Major changes in effect for Tax Year 2002 that influenced the Statistics of Income data are listed below. Section 4, Explanation of Terms, provides more detailed explanations and definitions of the terms used in this report.

Earned Income Credit

There were changes for 2002 that expanded and simplified the earned income credit (EIC). Beginning in 2002, taxable earned income in AGI was used to determine the EIC rather than the previous use of modified AGI and the sum of taxable and nontaxable earned income. Also, alternative minimum tax no longer reduced the amount of the credit. New rules applied if a child met the conditions to be a qualifying child of more than one person and also the length of time a foster child had to live with the taxpayer. The maximum amount of the earned income credit increased, as did the amounts of earned income and investment income an individual could have and still claim the credit. The maximum amount of investment income (interest, dividends and capital gain income) a taxpayer could have and still claim the credit increased to \$2,550 from \$2,450. The maximum credit for taxpayers with no qualifying children increased to \$376 from \$364. For these taxpayers, earned income and AGI had to be less than \$11,060 (\$12,060 if married filing jointly). For taxpayers with one qualifying child, the maximum credit increased \$78 to \$2,506 and, for taxpayers with two or more qualifying children, the maximum credit increased to \$4,140 from \$4,008. To be eligible for the credit, a taxpayer's earned income and AGI had to be less than \$29,201 (\$30,201 for married filing jointly) for one qualifying child, or less than \$33,178 (\$34,178 for married filing jointly) for two or more qualifying children. Prior to 2002, marital status had no effect on the amount of EIC or these income thresholds.

Educator Expenses

A taxpayer who was an eligible educator in kindergarten through grade 12 was able to deduct up to \$250 of expenses even if they did not itemize their deductions.

Empowerment Zone and Renewal Community Employment Credit

The Community Renewal Tax Relief Act of 2002 added the renewal community employment credit, which was similar to the empowerment zone employment credit, for qualified renewal community wages paid or incurred after 2001. Forty renewal communities have been selected to receive the benefits for this credit. In addition, urban and rural empowerment zones now qualified for the empowerment zone employment credit for 2002.

Exemption Amount

Indexing for inflation increased to \$3,000 the deduction for each exemption to which the taxpayer was entitled for 2002, an increase over the \$2,900 allowed for 2001. The AGI threshold for the limitation of exemption amounts was also indexed for inflation, increasing from \$132,950 to \$137,300 for single filers; \$199,450 to \$206,000 for married persons filing jointly and surviving spouses; \$166,200 to \$171,650 for heads of household; and \$99,725 to \$103,000 for married persons filing separately. The phase-out of the deduction for exemptions was completed at AGI levels above \$259,800 for single filers; \$328,500 for married persons filing jointly and surviving spouses; \$294,150 for heads of household; and \$164,250 for married persons filing separately. Above these levels, no deduction for exemptions was allowed.

Foreign Earned Income Exclusion

For 2002, the amount of foreign earned income that could have been excluded from income increased from \$78,000 to \$80,000.

Individual Retirement Arrangement Deduction

For 2002, a taxpayer (both taxpayers for taxpayers filing jointly), were able to take an IRA deduction up to \$3,000 (\$3,500 if age 50 or older) if not covered by a retirement plan, or if covered by a retirement plan but their modified AGI was less than \$44,000 (\$64,000 if married filing jointly or qualifying widow(er)). For 2001, the maximum deduction was \$2,000 per taxpayer (regardless of age) and the income thresholds for taxpayers already covered by a retirement plan were \$1,000 lower.

Itemized Deductions

If a taxpayer's AGI was greater than \$137,3000 (\$68,650 if married filing separately), his or her itemized deductions may have been limited; the threshold was increased from \$132,950 (\$66,475) for 2001, as a result of inflation indexing. The limitation did not apply to deductions for medical and dental expenses, investment interest expenses, casualty or theft losses, and gambling losses; all other deductions were subject to the limitation. To arrive at allowable itemized deductions, total itemized deductions were reduced by the smaller of: (a) 80 percent of the non-exempt deductions, or (b) 3 percent of the amount of AGI in excess of the limitation threshold.

New York Liberty Zone

The credit is 40 percent (25 percent for employees who worked at least 120 hours but less than 400 hours) of the qualified wages (up to \$6,000) for work performed after December 31, 2001 by a New York Liberty Zone business employee.

Retirement Savings Contribution Credit

A taxpayer could take a credit of up to \$1,000 for qualified retirement savings contributions, if their adjusted gross income was less than \$25,000 (\$37,500 if head of household, \$50,000 if married filing jointly).

Self-employed Health Insurance Deduction

A self-employed taxpayer was able to deduct up to 70 percent of health insurance expenses for 2002 up from 60 percent for 2001.

Self-employment Tax

The ceiling on taxable "self-employment income" was raised, for 2002, to \$84,900 for the social security portion (12.4 percent) of the self-employment tax. The limit was \$80,400 for 2001.

Standard Deduction

The standard deduction increased for 2002 as a result of indexing for inflation. For single filers, the standard deduction rose from \$4,550 to \$4,700; for married persons filing jointly or surviving spouses, from \$7,600 to \$7,850; for married persons filing separately, from \$3,800 to \$3,925; and for heads of household, from \$6,650 to \$6,900. The amount of standard deduction for a dependent was the greater of \$750 or the dependent's earned income plus \$250 (but not more than the regular standard deduction amount). Taxpayers who were age 65 or over or blind could claim an additional standard deduction amount of \$900 or \$1,150 depending on marital status.

Student Loan Interest Deduction

For Tax Year 2002, income thresholds for eligible taxpayers to deduct up to \$2,500 of interest paid on qualified higher educational loans were increased. These loans must have gone towards qualified expenses of either the taxpayer, taxpayer's spouse, or any dependent of the taxpayer at the time the debt was incurred. The taxpayer's modified AGI must have been less than: \$65,000 if single, head of household, or qualifying widow(er) (\$55,000 for 2001); or \$130,000 if married filing jointly (\$75,000 for 2001). The provision that limited the deduction to interest paid in the first 60 months was eliminated.

Figure 3.-Calculation of the 1979 Income Concept for 2002

1979 Total Income Concept=

Income or Loss:

- Salaries and wages ¹
- Interest ¹
- Dividends ¹
- Taxable refunds ¹
- Alimony received ¹
- Sales of capital assets,
net gain or loss ¹
- Other gains and losses (Form 4797) ¹
- Business net income or loss ¹
- Farm net income or loss ¹
- Rent net income or loss ¹
- Royalty net income or loss ¹
- Partnership net income or loss ¹
- S Corporation net income or loss ¹
- Farm rental net income or loss ¹
- Estate or trust net income or loss ¹
- Unemployment compensation ¹
- Depreciation in excess of straight-line
depreciation ²
- Total pension income ^{3,5}
- Other net income or loss ⁴
- Net operating loss ¹

Deductions:

- Disallowed passive losses (Form 8582) ⁶
- Moving expenses ¹
- Alimony paid ¹
- Unreimbursed business expenses ⁶

¹ Included in adjusted gross income (less deficit) (AGI) for Tax Year 2002.

² Adjustment to add back excess depreciation (accelerated over straight-line depreciation) deducted in the course of a trade or business and included in net income (loss) amounts shown above.

³ Includes taxable and tax-exempt pension and retirement distributions, including IRA distributions.

⁴ Includes an adjustment to add back amounts reported for the foreign-earned income exclusion."

⁵ Not fully included in AGI for Tax Year 2002.

⁶ Not included in AGI for Tax Year 2002.

Tax Rate Reductions

For tax years beginning after December 31, 2001, a new 10 percent regular income tax rate was used for a portion of all taxpayers taxable income. Also for Tax Year 2002, there was a reduction of the former tax rates of 27.5 percent, 30.5 percent, 35.5 percent and 39.1 percent to 27.0 percent, 30.0 percent, 35.0 percent, and 38.6 percent, respectively.

Tuition and Fees Deduction

A taxpayer was able to deduct up to \$3,000 of the qualified tuition and fees paid for themselves, a spouse, or dependents if the taxpayer's modified AGI was under \$65,000 (\$130,000 if married filing jointly). This deduction could not be taken if the person could be claimed as a dependent on another taxpayer's return or if they claimed the education credit for the same student.

The 1979 Income Concept: A Retrospective Income Definition

In order to analyze changes in income and taxes over a period of years, a consistent definition of income must be used. The income concept available from Federal income tax returns, AGI, was designed to facilitate tax administration, and its definition has changed over time to reflect modifications to the Internal Revenue Code. Tax laws of the 1980's (the Economic Recovery Tax Act of 1981, the Tax Equity and Fiscal Responsibility Act of 1982, the Tax Reform Act of 1984, and the Tax Reform Act of 1986) made significant changes to the components of AGI, which made it more difficult to use AGI for accurate comparisons of income from year to year. For this reason, it was decided to develop an income definition that would be consistent over several years, and would allow comparisons both before and after the major tax legislation of the 1980's.

The result was a retrospective income definition known as the 1979 Income Concept, reflecting a base period from 1979 through 1986. It was calculated using only data available from

Table B--All Returns: Selected Income and Tax Items, by Size of Adjusted Gross Income and by 1979 Income Concept, 2002

[All figures are estimates based on samples--money amounts are in millions of dollars]

Size of income	Income				Salaries and wages			
	2002 Adjusted Gross Income		1979 Income Concept		2002 Adjusted Gross Income		1979 Income Concept	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
All returns, total.....	130,076,443	6,033,586	130,076,443	6,179,433	110,938,441	4,559,691	110,938,441	4,559,691
Under \$10,000.....	26,034,076	44,748	25,453,570	39,584	19,963,969	113,369	19,753,494	109,187
\$10,000 under \$20,000.....	23,432,328	348,494	23,533,058	350,297	18,679,549	258,763	18,806,394	263,033
\$20,000 under \$30,000.....	18,597,993	459,338	19,362,333	478,830	16,119,060	372,354	16,428,100	381,338
\$30,000 under \$40,000.....	13,980,103	485,696	14,372,070	498,593	12,487,593	400,883	12,592,498	406,189
\$40,000 under \$50,000.....	10,550,456	472,822	10,571,594	473,227	9,518,514	392,954	9,616,894	396,568
\$50,000 under \$60,000.....	8,149,121	446,800	7,935,175	435,010	7,393,411	364,548	7,229,493	362,617
\$60,000 under \$70,000.....	6,573,164	426,062	6,259,051	405,223	5,992,532	346,496	5,800,959	342,287
\$70,000 under \$80,000.....	5,157,677	386,217	4,872,461	364,635	4,737,640	316,983	4,544,015	308,255
\$80,000 under \$90,000.....	3,862,121	327,145	3,645,824	308,828	3,566,532	267,018	3,408,775	257,477
\$90,000 under \$100,000.....	2,902,672	274,882	2,727,856	258,263	2,675,782	223,099	2,547,819	212,916
\$100,000 under \$125,000.....	4,267,773	474,377	4,111,175	456,921	3,926,600	380,004	3,799,489	365,846
\$125,000 under \$150,000.....	2,158,098	294,481	2,287,131	311,535	1,975,812	229,705	2,094,900	239,492
\$150,000 under \$175,000.....	1,242,908	200,335	1,297,450	209,375	1,129,487	152,035	1,158,938	147,853
\$175,000 under \$200,000.....	753,824	140,496	841,916	157,048	675,194	100,769	750,863	105,178
\$200,000 under \$300,000.....	1,237,653	297,116	1,405,861	338,654	1,087,056	198,672	1,217,135	204,583
\$300,000 under \$400,000.....	455,670	155,783	541,048	185,960	394,270	96,602	465,099	99,986
\$400,000 under \$500,000.....	215,143	95,915	256,442	114,197	186,430	57,594	216,191	58,467
\$500,000 under \$1,000,000.....	336,684	227,044	408,887	275,443	287,061	121,029	345,613	127,149
\$1,000,000 under \$1,500,000.....	78,121	94,073	93,801	112,826	64,492	41,462	77,506	43,359
\$1,500,000 under \$2,000,000.....	31,316	53,782	34,394	58,995	26,442	22,254	28,920	23,153
\$2,000,000 under \$5,000,000.....	44,205	130,305	49,337	144,098	37,807	50,475	41,930	51,897
\$5,000,000 under \$10,000,000.....	10,026	68,251	10,676	72,237	8,700	23,509	8,882	23,727
\$10,000,000 and over.....	5,309	129,421	5,333	129,656	4,510	29,115	4,536	29,135
Size of income	Taxable interest received				Dividends in AGI		Dividends received	
	2002 Adjusted Gross Income		1979 Income Concept		2002 Adjusted Gross Income		1979 Income Concept	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
All returns, total.....	63,584,806	149,025	63,584,806	149,025	31,409,759	103,241	31,409,759	103,241
Under \$10,000.....	7,830,902	10,675	7,476,255	10,622	3,809,078	5,184	3,631,709	5,209
\$10,000 under \$20,000.....	7,461,282	12,323	7,287,644	11,907	3,149,518	5,104	3,030,687	5,145
\$20,000 under \$30,000.....	6,696,538	10,913	7,275,581	13,646	2,705,473	4,721	3,043,764	5,742
\$30,000 under \$40,000.....	6,507,582	9,578	6,900,007	11,352	2,601,364	4,155	2,808,650	5,351
\$40,000 under \$50,000.....	5,977,000	8,374	6,030,054	8,531	2,549,007	4,477	2,583,373	4,853
\$50,000 under \$60,000.....	5,248,400	7,382	5,130,550	7,444	2,370,267	4,411	2,370,429	4,872
\$60,000 under \$70,000.....	4,648,272	6,980	4,355,962	5,969	2,279,753	4,732	2,017,983	3,763
\$70,000 under \$80,000.....	3,949,021	6,416	3,693,472	5,487	1,943,971	4,437	1,797,757	4,022
\$80,000 under \$90,000.....	3,065,088	5,436	2,929,892	4,999	1,624,427	3,100	1,489,015	2,870
\$90,000 under \$100,000.....	2,458,132	4,492	2,272,207	4,689	1,374,511	3,324	1,282,117	3,220
\$100,000 under \$125,000.....	3,669,871	9,614	3,542,593	7,131	2,295,805	7,339	2,182,319	6,441
\$125,000 under \$150,000.....	1,904,654	5,377	2,023,587	5,288	1,342,047	4,922	1,421,784	4,239
\$150,000 under \$175,000.....	1,142,229	4,052	1,188,311	3,950	835,798	3,130	872,762	3,219
\$175,000 under \$200,000.....	701,097	3,067	785,781	3,049	548,912	3,217	609,928	3,062
\$200,000 under \$300,000.....	1,175,737	7,335	1,327,738	7,499	953,813	7,264	1,058,584	7,063
\$300,000 under \$400,000.....	441,489	4,183	523,931	4,372	381,899	4,142	447,841	4,141
\$400,000 under \$500,000.....	209,927	2,867	249,810	2,984	185,997	2,398	220,654	2,449
\$500,000 under \$1,000,000.....	330,275	7,699	399,738	7,802	299,991	7,565	360,822	7,783
\$1,000,000 under \$1,500,000.....	77,096	3,874	92,662	3,930	71,920	3,366	86,108	3,449
\$1,500,000 under \$2,000,000.....	31,073	2,299	34,111	2,308	29,266	1,973	32,184	2,028
\$2,000,000 under \$5,000,000.....	43,878	5,860	48,989	5,875	42,070	5,326	46,136	5,411
\$5,000,000 under \$10,000,000.....	9,972	3,147	10,616	3,173	9,675	2,862	9,934	2,862
\$10,000,000 and over.....	5,293	7,082	5,316	7,018	5,195	6,094	5,218	6,047

Footnotes at end of table

Table B--All Returns: Selected Income and Tax Items, by Size of Adjusted Gross Income and by 1979 Income Concept, 2002--Continued

[All figures are estimates based on samples--money amounts are in millions of dollars]

Size of income	Business or profession net income less loss				Sales of capital assets			
	2002 Adjusted Gross Income		1979 Income Concept		2002 Adjusted Gross Income		1979 Income Concept	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
All returns, total.....	18,597,305	220,784	18,597,305	220,784	24,189,148	238,789	24,189,148	238,789
Under \$10,000.....	3,441,479	4,274	3,166,961	1,285	3,107,022	4,137	2,969,365	4,489
\$10,000 under \$20,000.....	2,843,581	19,993	2,834,535	18,372	2,281,827	378	2,223,158	487
\$20,000 under \$30,000.....	2,128,332	16,753	2,191,770	15,329	1,962,164	1,088	2,182,641	1,062
\$30,000 under \$40,000.....	1,771,589	14,148	1,795,100	13,097	1,906,492	794	2,108,781	1,187
\$40,000 under \$50,000.....	1,498,817	11,888	1,576,008	10,927	1,865,279	1,674	1,882,290	2,048
\$50,000 under \$60,000.....	1,344,407	11,890	1,373,010	11,659	1,692,712	2,140	1,693,693	2,459
\$60,000 under \$70,000.....	1,067,090	10,652	1,033,626	10,306	1,680,334	2,704	1,487,306	3,096
\$70,000 under \$80,000.....	872,291	9,535	876,483	9,995	1,463,359	3,200	1,328,651	2,915
\$80,000 under \$90,000.....	715,840	9,309	684,529	8,951	1,269,414	2,763	1,194,662	2,784
\$90,000 under \$100,000.....	543,276	8,941	487,029	7,685	1,031,513	2,677	947,465	2,494
\$100,000 under \$125,000.....	796,804	17,377	827,918	17,796	1,795,614	6,884	1,685,252	7,220
\$125,000 under \$150,000.....	473,140	13,469	505,304	12,879	1,072,798	6,971	1,128,644	5,547
\$150,000 under \$175,000.....	296,334	10,999	290,353	10,725	709,382	6,527	743,406	6,209
\$175,000 under \$200,000.....	169,846	7,622	212,952	9,025	480,716	6,406	520,106	6,486
\$200,000 under \$300,000.....	329,330	21,310	373,928	24,354	883,583	15,198	959,953	14,692
\$300,000 under \$400,000.....	119,921	9,972	146,201	12,350	360,593	12,609	407,343	12,190
\$400,000 under \$500,000.....	59,558	5,278	72,215	5,927	175,665	8,781	199,162	9,036
\$500,000 under \$1,000,000.....	85,230	9,164	104,276	11,228	292,518	25,229	347,025	25,319
\$1,000,000 under \$1,500,000.....	18,716	2,764	21,502	3,123	72,079	14,658	86,302	14,657
\$1,500,000 under \$2,000,000.....	7,471	1,303	8,323	1,472	29,327	9,806	32,124	9,860
\$2,000,000 under \$5,000,000.....	10,393	2,211	11,362	2,357	41,850	27,960	46,646	28,198
\$5,000,000 under \$10,000,000.....	2,508	732	2,567	714	9,696	18,457	9,939	18,704
\$10,000,000 and over.....	1,350	1,198	1,351	1,226	5,210	57,750	5,232	57,651

Size of income	Rents, royalties, and farm rental net income less loss				Partnership and S corporation net income less loss			
	2002 Adjusted Gross Income		1979 Income Concept		2002 Adjusted Gross Income		1979 Income Concept	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)
All returns, total.....	9,638,279	28,985	9,638,279	28,985	6,723,422	237,967	6,723,422	237,967
Under \$10,000.....	1,013,557	-1,535	962,121	-1,471	653,273	-35,027	625,702	-34,885
\$10,000 under \$20,000.....	1,080,987	837	1,046,670	622	423,015	427	408,978	274
\$20,000 under \$30,000.....	952,894	812	1,030,441	1,043	414,982	917	443,231	1,138
\$30,000 under \$40,000.....	879,119	433	964,103	725	474,992	2,396	462,671	1,915
\$40,000 under \$50,000.....	827,986	-54	848,160	483	421,803	1,569	454,903	1,233
\$50,000 under \$60,000.....	744,683	897	757,822	558	449,740	2,967	446,433	2,851
\$60,000 under \$70,000.....	667,799	438	636,535	547	430,174	3,280	416,073	3,203
\$70,000 under \$80,000.....	639,898	757	559,090	553	358,138	2,105	345,075	1,734
\$80,000 under \$90,000.....	515,890	333	456,441	1,024	348,994	3,259	323,622	3,365
\$90,000 under \$100,000.....	395,615	717	373,165	466	264,706	3,383	241,169	2,849
\$100,000 under \$125,000.....	665,098	2,247	633,015	1,494	528,922	9,279	517,707	8,671
\$125,000 under \$150,000.....	356,058	1,668	369,521	1,899	370,908	8,593	379,299	8,343
\$150,000 under \$175,000.....	197,484	1,964	213,219	1,650	276,235	9,383	280,404	8,993
\$175,000 under \$200,000.....	134,009	1,175	147,231	1,252	194,899	7,614	203,446	8,146
\$200,000 under \$300,000.....	245,572	3,802	275,089	3,599	440,854	26,558	456,663	24,386
\$300,000 under \$400,000.....	104,542	2,570	124,821	2,547	212,662	20,611	221,753	21,158
\$400,000 under \$500,000.....	56,418	1,522	60,151	1,516	117,564	14,691	126,130	15,078
\$500,000 under \$1,000,000.....	100,425	3,967	112,867	4,000	214,836	46,441	232,415	48,259
\$1,000,000 under \$1,500,000.....	25,802	1,734	30,360	1,780	55,974	23,527	61,541	23,969
\$1,500,000 under \$2,000,000.....	11,277	974	11,847	984	23,466	13,740	24,967	14,156
\$2,000,000 under \$5,000,000.....	16,651	2,065	18,638	2,052	34,405	32,466	37,802	33,229
\$5,000,000 under \$10,000,000.....	4,099	827	4,567	826	8,213	16,521	8,765	16,574
\$10,000,000 and over.....	2,417	833	2,408	833	4,666	23,267	4,672	23,328

Footnotes at end of table

Table B--All Returns: Selected Income and Tax Items, by Size of Adjusted Gross Income and by 1979 Income Concept, 2002--Continued

[All figures are estimates based on samples--money amounts are in millions of dollars]

Size of income	Nondeductible passive losses				Estate and trust net income less loss			
	2002 Adjusted Gross Income		1979 Income Concept		2002 Adjusted Gross Income		1979 Income Concept	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)
All returns, total.....	1,299,572	16,031	1,299,572	16,031	581,454	11,240	581,454	11,240
Under \$10,000.....	118,799	2,937	147,624	6,054	54,722	-258	57,421	-276
\$10,000 under \$20,000.....	64,704	503	58,737	256	60,331	213	51,425	202
\$20,000 under \$30,000.....	48,204	264	60,574	301	31,157	82	39,612	137
\$30,000 under \$40,000.....	60,081	410	59,792	273	34,016	196	56,801	327
\$40,000 under \$50,000.....	50,844	278	64,675	203	40,952	258	30,055	219
\$50,000 under \$60,000.....	69,273	337	51,667	257	41,022	262	39,369	176
\$60,000 under \$70,000.....	55,927	358	41,416	151	30,404	123	34,366	230
\$70,000 under \$80,000.....	44,070	174	52,312	288	37,838	224	32,348	141
\$80,000 under \$90,000.....	57,070	360	47,478	336	28,743	139	20,351	282
\$90,000 under \$100,000.....	44,515	281	35,075	212	30,283	431	22,133	186
\$100,000 under \$125,000.....	83,082	634	89,379	629	38,415	433	44,091	550
\$125,000 under \$150,000.....	95,050	1,035	103,142	639	33,171	425	31,974	404
\$150,000 under \$175,000.....	107,553	1,025	87,610	548	21,373	370	22,717	412
\$175,000 under \$200,000.....	78,513	761	78,658	671	17,826	267	15,210	148
\$200,000 under \$300,000.....	142,858	1,572	137,311	1,317	31,952	1,060	33,435	1,074
\$300,000 under \$400,000.....	58,944	769	56,859	675	14,229	494	14,118	500
\$400,000 under \$500,000.....	35,477	514	36,802	428	7,709	518	7,744	512
\$500,000 under \$1,000,000.....	51,555	1,251	55,723	892	15,021	1,319	15,535	1,304
\$1,000,000 under \$1,500,000.....	13,369	490	13,999	326	4,490	602	4,822	624
\$1,500,000 under \$2,000,000.....	6,204	292	6,821	210	1,956	343	1,974	335
\$2,000,000 under \$5,000,000.....	9,417	750	9,850	540	3,819	1,263	3,918	1,261
\$5,000,000 under \$10,000,000.....	2,481	375	2,500	284	1,144	748	1,157	756
\$10,000,000 and over.....	1,584	661	1,568	542	880	1,730	879	1,736
Size of income	Pensions and annuities in AGI*		Pensions and annuities*		Total statutory adjustments			
	2002 Adjusted Gross Income		1979 Income Concept		2002 Adjusted Gross Income		1979 Income Concept	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(41)	(42)	(43)	(44)	(45)	(46)	(47)	(48)
All returns, total.....	26,282,869	446,060	28,551,518	681,450	28,911,078	77,161	16,134,292	72,150
Under \$10,000.....	2,621,331	12,955	2,477,048	13,083	3,489,259	3,791	288,610	2,288
\$10,000 under \$20,000.....	4,871,003	45,749	4,853,259	45,547	3,797,351	4,821	847,604	5,212
\$20,000 under \$30,000.....	3,505,754	44,771	4,161,224	56,731	3,517,140	5,539	1,418,159	6,734
\$30,000 under \$40,000.....	2,951,753	43,805	3,455,692	57,707	3,111,322	5,477	1,783,196	7,042
\$40,000 under \$50,000.....	2,404,928	39,688	2,644,358	48,541	2,699,049	5,022	1,953,960	6,907
\$50,000 under \$60,000.....	2,095,282	38,052	2,071,108	41,861	2,302,190	4,880	1,727,045	6,447
\$60,000 under \$70,000.....	1,754,549	37,074	1,699,336	36,433	1,881,501	4,204	1,744,648	6,491
\$70,000 under \$80,000.....	1,393,884	32,424	1,353,002	32,339	1,559,754	3,927	1,367,586	5,088
\$80,000 under \$90,000.....	1,082,547	27,846	1,101,491	27,514	1,306,854	3,603	1,110,656	4,267
\$90,000 under \$100,000.....	797,894	22,504	800,138	24,163	1,061,131	3,567	846,784	3,172
\$100,000 under \$125,000.....	1,169,559	34,388	1,290,407	41,917	1,719,921	6,602	1,245,538	5,296
\$125,000 under \$150,000.....	575,159	19,249	773,434	33,670	757,820	3,998	658,932	3,335
\$150,000 under \$175,000.....	308,364	10,923	481,802	26,470	427,024	3,277	357,263	2,105
\$175,000 under \$200,000.....	214,073	9,120	328,720	20,526	236,517	2,383	208,748	1,451
\$200,000 under \$300,000.....	289,182	14,420	525,516	49,939	484,785	6,043	328,160	2,394
\$300,000 under \$400,000.....	100,674	4,711	207,969	28,255	198,672	3,066	109,862	1,222
\$400,000 under \$500,000.....	43,275	2,246	97,957	17,854	106,017	1,721	49,131	598
\$500,000 under \$1,000,000.....	66,662	3,647	156,946	40,949	165,058	3,068	64,803	1,039
\$1,000,000 under \$1,500,000.....	16,957	917	37,348	16,635	40,780	923	11,949	346
\$1,500,000 under \$2,000,000.....	6,641	421	11,704	4,109	16,548	391	4,380	166
\$2,000,000 under \$5,000,000.....	9,814	752	17,700	12,241	23,895	568	5,595	320
\$5,000,000 under \$10,000,000.....	2,320	242	3,695	3,991	5,509	157	1,227	149
\$10,000,000 and over.....	1,264	157	1,666	975	2,981	131	456	81

Footnotes at end of table

Table B--All Returns: Selected Income and Tax Items, by Size of Adjusted Gross Income and by 1979 Income Concept, 2002--Continued

[All figures are estimates based on samples--money amounts are in millions of dollars]

Size of income	Total itemized deductions				Taxable income			
	2002 Adjusted Gross Income		1979 Income Concept		2002 Adjusted Gross Income		1979 Income Concept	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(49)	(50)	(51)	(52)	(53)	(54)	(55)	(56)
All returns, total.....	45,647,551	898,047	45,613,214	851,822	102,275,969	4,096,128	102,275,969	4,096,128
Under \$10,000.....	874,188	11,805	919,840	11,786	5,946,128	9,624	5,921,796	10,318
\$10,000 under \$20,000.....	2,409,752	29,651	2,587,104	29,070	16,968,425	97,061	16,884,433	97,295
\$20,000 under \$30,000.....	3,741,800	46,459	4,039,812	46,398	17,733,641	217,418	18,357,132	230,007
\$30,000 under \$40,000.....	4,744,833	59,962	4,918,354	58,197	13,769,766	284,042	14,116,904	301,059
\$40,000 under \$50,000.....	4,970,941	67,855	4,921,771	62,595	10,471,833	296,662	10,457,756	308,903
\$50,000 under \$60,000.....	4,718,264	69,133	4,565,264	64,379	8,113,954	295,480	7,863,559	294,081
\$60,000 under \$70,000.....	4,589,028	72,413	4,409,265	66,557	6,554,365	287,859	6,222,485	276,930
\$70,000 under \$80,000.....	3,955,708	68,529	3,684,818	59,855	5,145,339	267,061	4,843,448	253,962
\$80,000 under \$90,000.....	3,166,294	58,415	2,995,826	53,382	3,856,117	230,800	3,623,453	216,624
\$90,000 under \$100,000.....	2,503,295	50,078	2,302,508	43,345	2,896,537	196,849	2,711,957	184,401
\$100,000 under \$125,000.....	3,801,041	86,408	3,634,497	78,789	4,260,979	348,270	4,088,558	326,992
\$125,000 under \$150,000.....	2,024,851	53,983	2,110,215	52,614	2,156,512	221,180	2,273,963	224,771
\$150,000 under \$175,000.....	1,171,774	35,492	1,186,582	33,510	1,240,904	153,654	1,288,238	149,583
\$175,000 under \$200,000.....	706,998	23,906	775,901	23,852	751,614	109,877	835,587	113,333
\$200,000 under \$300,000.....	1,172,293	47,997	1,279,168	47,714	1,235,782	241,547	1,396,167	246,081
\$300,000 under \$400,000.....	431,869	22,222	497,577	23,207	454,919	133,288	537,128	137,733
\$400,000 under \$500,000.....	199,779	13,196	235,745	13,671	214,721	82,732	254,400	84,757
\$500,000 under \$1,000,000.....	309,788	27,821	371,315	29,600	335,990	199,225	406,533	208,305
\$1,000,000 under \$1,500,000.....	70,321	10,575	85,233	10,970	77,852	83,570	93,509	86,356
\$1,500,000 under \$2,000,000.....	28,717	5,757	31,417	5,924	31,223	48,059	34,244	49,572
\$2,000,000 under \$5,000,000.....	41,301	13,521	46,047	13,646	44,082	116,903	49,147	119,509
\$5,000,000 under \$10,000,000.....	9,577	7,024	9,796	7,054	10,001	61,269	10,265	61,803
\$10,000,000 and over.....	5,139	15,845	5,160	15,706	5,283	113,697	5,309	113,753

Size of income	Total tax credits				Total income tax			
	2002 Adjusted Gross Income		1979 Income Concept		2002 Adjusted Gross Income		1979 Income Concept	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(57)	(58)	(59)	(60)	(61)	(62)	(63)	(64)
All returns, total.....	40,614,049	39,862	40,614,049	39,862	90,963,896	796,986	90,963,896	796,986
Under \$10,000.....	1,043,721	93	1,022,988	107	5,320,772	1,040	5,303,000	1,177
\$10,000 under \$20,000.....	5,544,520	1,717	5,521,791	1,729	13,088,878	9,178	13,024,497	9,228
\$20,000 under \$30,000.....	7,780,357	5,273	7,848,757	5,270	12,877,030	21,403	13,503,586	23,091
\$30,000 under \$40,000.....	5,486,696	4,694	5,576,580	4,750	12,451,931	32,655	12,780,591	35,252
\$40,000 under \$50,000.....	4,693,277	4,533	4,597,220	4,464	10,029,880	38,114	10,045,662	40,320
\$50,000 under \$60,000.....	3,317,009	3,666	3,364,663	3,710	8,004,582	41,021	7,747,055	41,273
\$60,000 under \$70,000.....	3,019,155	3,645	2,952,483	3,518	6,507,120	40,751	6,171,037	39,719
\$70,000 under \$80,000.....	2,471,368	3,002	2,408,625	2,878	5,126,472	40,754	4,823,745	39,204
\$80,000 under \$90,000.....	1,922,465	2,255	1,854,025	2,221	3,850,061	38,109	3,613,027	35,645
\$90,000 under \$100,000.....	1,437,017	1,642	1,347,125	1,545	2,888,325	34,841	2,700,425	32,746
\$100,000 under \$125,000.....	1,864,614	1,984	1,842,688	1,908	4,258,134	67,595	4,078,795	63,179
\$125,000 under \$150,000.....	628,174	453	695,248	529	2,156,686	47,075	2,267,290	47,423
\$150,000 under \$175,000.....	313,439	324	344,452	303	1,241,144	34,591	1,284,444	33,326
\$175,000 under \$200,000.....	208,104	313	237,604	275	751,713	25,880	835,261	26,367
\$200,000 under \$300,000.....	380,809	680	432,262	726	1,236,211	62,395	1,394,752	62,484
\$300,000 under \$400,000.....	164,167	580	181,987	721	455,123	37,696	536,784	38,193
\$400,000 under \$500,000.....	86,488	468	97,572	433	214,876	24,674	254,507	24,894
\$500,000 under \$1,000,000.....	155,422	1,073	179,859	1,239	336,251	63,371	406,742	65,413
\$1,000,000 under \$1,500,000.....	41,692	605	48,651	620	77,996	27,479	93,625	28,209
\$1,500,000 under \$2,000,000.....	17,893	367	19,467	405	31,268	15,891	34,281	16,350
\$2,000,000 under \$5,000,000.....	26,993	1,039	29,160	1,041	44,142	38,692	49,203	39,532
\$5,000,000 under \$10,000,000.....	6,761	479	6,917	495	10,005	20,044	10,268	20,189
\$10,000,000 and over.....	3,909	979	3,926	976	5,296	33,738	5,321	33,770

¹ Individual Retirement Arrangements are included in the calculation of "Pensions and annuities."

NOTE: Detail may not add to totals because of rounding.

individual income tax returns. By using the same income items in the calculation each year, its definition was consistent throughout the base years. In addition, this retrospective income definition could be used in future years to compare income by continuing to include the same components that were common to all years.

The calculation of the 1979 Income Concept is shown in Figure 3. Several items partially excluded from AGI for the base years were fully included in this new income measure, the depreciation, which was subtracted in computing AGI, was added back.

Deductions that could be subtracted in the calculation of the 1979 Income Concept were limited to employee business expenses, alimony paid, and moving expenses. These same items were also subtracted in computing AGI until 1987 when unreimbursed business expenses and moving expenses were changed from adjustments to itemized deductions. Starting in 1994, moving expenses were once more made an adjustment to income. The amounts reported for employee business expenses by taxpayers who itemized deductions were subtracted in the calculation of the 1979 Income Concept. Taxpayers who did not itemize deductions, however, could not claim this expense (as well as moving expenses prior to 1994). For this reason, the deduction for these two expenses beginning in 1987 is not completely comparable to that for previous years.

Comparison of AGI with 1979 Income Concept

The Tax Reform Act of 1986 (TRA 86) made extensive changes to the calculation of AGI beginning with 1987. These changes made necessary a revision of the calculation of the 1979 Income Concept, in order to make tax years beginning with 1987 comparable to the base years, 1979 through 1986. The law changes limited the deduction of passive losses and eliminated unreimbursed employee business expenses and moving expenses as "adjustments" (moving expenses changed back for 1994) in figuring AGI beginning with Tax Year 1987.

largest of which was capital gains. The full amount of all capital gains, as well as all dividends and unemployment compensation, was included in the income calculation. Total pensions, annuities, IRA distributions, and roll-overs were added, including the non-taxable portions that were excluded from AGI. Social security benefits were omitted because they were not reported on tax returns until 1984. Also, any depreciation in excess of straight-line

Since passive losses had been fully deductible for both income measures prior to 1987, the disallowed passive losses had to be deducted in the 1979 Income Concept calculation for tax years after 1986.

Some income items, such as capital gains, that had been partially excluded from AGI under prior law were fully included. The new law also eliminated or restricted some deductions. Therefore, if AGI is used to measure income, comparisons between 1986 income and tax data with that for years after 1986 are misleading. A more accurate comparison can be made using the 1979 Income Concept because it measures income in the same way for all years. Table B shows total income and selected tax items for 2002 using AGI and the 1979 Income Concept, classified by size of 2002 AGI.

Before TRA 86 became effective, a comparison of income measured by AGI with that measured by the 1979 Income Concept showed significant differences at income levels of \$200,000 or more. But, with the elimination of preferential treatment of various income items by TRA 86, such as the exclusion of a portion of capital gains, much of the difference disappeared. Under tax law prior to 1987, the capital gains exclusion accounted for the largest difference at the higher income levels between the two income measures. For 2002, 1979 Concept income was 2.4 percent higher than income as calculated using AGI. This difference was primarily attributed to the inclusion of more than \$203.2 billion in nontaxable pensions and annuities (including IRA distributions) in the 1979 Income Concept.

Income for all returns, using the 1979 Income Concept, decreased 1.7 percent for 2002; income for the \$200,000 and above group decreased 8.5 percent, after decreasing 18.1 percent for 2001. Total income tax for all returns decreased 10.2 percent; and total income tax reported for the \$200,000 and above income group decreased 11.5 percent for 2002, following an increase of 18.5 percent for 2001.

The average tax rates (income tax as a percentage of total income) for each income class and both income concepts for years 1986 through 2002 are shown in Figure 4.

For the population as a whole, average tax rates for 2002 (based on the 1979 Income Concept) are lower than those for 1986 (before tax reform) for the first time since 1993. Between these 2 years, the average tax rates declined in all income categories below \$1,000,000. The \$1,000,000 or more income category showed an increase in average tax rates between 1986 and 2002 of 5.3 percentage points. Although the average tax rate for 2002 was calculated using a lower maximum marginal tax rate of 38.6 percent for 2002 compared to 50 percent for 1986, it was calculated on income that included all capital gains (long-term gains could be partially excluded from income for 1986). Also, certain deductions from income that were allowed for 1986 were limited or eliminated beginning with 1987.

Figure 4--Total Income Tax as a Percentage of Adjusted Gross Income and the 1979 Income Concept, 1986-2002

Size of 2002 AGI	Total income tax as a percentage of adjusted gross income																
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
All returns, total.....	14.8	13.3	13.4	13.3	13.1	12.9	13.1	13.5	13.7	14.0	14.5	14.7	14.6	15.0	15.4	14.4	13.2
Under \$10,000.....	4.3	4.0	4.0	3.8	3.7	3.5	3.2	3.0	3.0	3.0	3.1	3.2	2.9	3.0	3.3	2.4	2.3
\$10,000 under \$20,000.....	7.8	6.8	6.5	6.4	6.1	5.5	5.1	4.9	4.8	4.7	4.6	4.3	4.3	4.1	4.1	3.4	2.6
\$20,000 under \$30,000.....	10.6	9.4	9.3	9.3	9.1	8.7	8.4	8.2	8.1	7.9	7.7	7.6	6.8	6.7	6.5	5.9	4.7
\$30,000 under \$40,000.....	12.2	10.6	10.9	10.9	10.6	10.5	10.2	10.1	10.0	9.8	9.7	9.6	8.8	8.6	8.5	8.0	6.7
\$40,000 under \$50,000.....	13.8	11.8	11.6	11.5	11.4	11.0	10.8	10.7	10.8	10.7	10.8	10.7	10.0	9.8	9.8	9.4	8.1
\$50,000 under \$60,000.....	15.5	13.5	13.2	12.9	12.4	12.1	11.6	11.5	11.4	11.4	11.3	11.3	10.7	10.6	10.6	10.2	9.2
\$60,000 under \$70,000.....	16.9	15.1	14.5	14.2	13.8	13.2	12.9	12.7	12.6	12.5	12.3	12.1	11.4	11.2	11.2	10.8	9.6
\$70,000 under \$80,000.....	18.7	16.5	15.6	15.3	14.9	14.4	14.0	13.9	13.8	13.6	13.6	13.4	12.6	12.4	12.1	11.6	10.6
\$80,000 under \$90,000.....	19.9	17.8	16.6	16.2	15.8	15.4	15.0	15.1	14.9	14.6	14.6	14.4	13.5	13.5	13.5	12.9	11.6
\$90,000 under \$100,000.....	20.8	18.8	17.4	17.3	16.6	16.0	15.9	15.7	15.9	15.8	15.4	15.2	14.8	14.5	14.4	13.7	12.7
\$100,000 under \$125,000.....	23.1	20.1	18.8	18.4	17.5	17.3	16.9	17.0	17.0	16.9	16.7	16.5	16.0	15.8	15.8	15.2	14.2
\$125,000 under \$150,000.....	25.2	21.8	20.3	19.8	19.2	18.6	18.7	18.6	18.6	18.3	18.4	17.7	17.7	17.6	17.4	16.8	16.0
\$150,000 under \$175,000.....	28.0	23.0	21.6	21.1	20.4	19.8	19.6	19.7	19.9	19.9	19.8	19.3	18.8	19.0	18.6	18.2	17.3
\$175,000 under \$200,000.....	29.3	23.9	22.5	21.8	21.1	21.0	20.7	21.2	21.4	20.9	20.9	20.5	20.0	20.0	19.9	19.1	18.4
\$200,000 under \$300,000.....	31.1	25.8	23.7	22.8	22.6	22.7	22.9	23.8	23.9	23.8	23.4	22.9	22.4	22.4	22.4	21.6	21.0
\$300,000 under \$400,000.....	33.7	27.0	24.0	23.6	23.7	24.3	24.4	26.9	26.9	26.8	26.6	26.1	25.4	25.4	25.0	24.7	24.2
\$400,000 under \$500,000.....	36.2	28.2	24.1	23.9	23.6	24.9	25.3	28.4	28.6	28.7	28.2	27.4	26.9	26.7	26.6	26.1	25.7
\$500,000 under \$1,000,000.....	38.4	29.0	24.6	24.0	24.0	25.7	26.0	30.0	30.2	30.2	30.1	29.0	28.2	28.4	28.3	28.1	27.9
\$1,000,000 or more.....	40.2	28.6	25.0	24.2	24.1	26.2	26.8	31.2	31.1	31.4	30.8	28.8	27.5	27.9	27.7	28.3	28.5

Size of 2002 AGI	Total income tax as a percentage of 1979 Income Concept																
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)	(33)	(34)
All returns, total.....	13.3	13.1	13.3	13.2	13.0	12.7	12.8	13.3	13.5	13.8	14.3	14.5	14.2	14.6	15.0	14.1	12.9
Under \$10,000.....	4.9	4.2	4.4	4.3	4.3	4.0	3.5	3.2	3.2	3.1	3.2	3.4	3.1	3.2	3.6	2.9	3.0
\$10,000 under \$20,000.....	7.6	6.7	6.5	6.4	6.1	5.5	5.1	4.8	4.8	4.7	4.6	4.4	4.2	4.1	4.0	3.4	2.6
\$20,000 under \$30,000.....	10.0	9.3	9.3	9.3	9.1	8.7	8.3	8.2	8.1	7.9	7.8	7.6	6.9	6.8	6.6	6.1	4.8
\$30,000 under \$40,000.....	11.6	10.7	10.7	10.9	10.7	10.5	10.2	10.2	10.1	10.1	10.0	9.8	9.1	8.9	9.0	8.4	7.1
\$40,000 under \$50,000.....	12.6	11.7	11.7	11.5	11.5	11.1	10.9	10.8	11.0	11.0	11.1	11.0	10.3	10.1	10.2	9.9	8.5
\$50,000 under \$60,000.....	13.8	13.4	13.2	12.9	12.5	12.0	11.6	11.6	11.6	11.6	11.6	11.5	11.0	10.9	10.9	10.6	9.5
\$60,000 under \$70,000.....	14.9	15.0	14.5	14.2	13.8	13.2	12.9	12.7	12.7	12.5	12.5	12.4	11.4	11.4	11.5	11.1	9.8
\$70,000 under \$80,000.....	15.8	16.2	15.4	15.2	14.6	14.2	13.7	13.7	13.6	13.6	13.5	13.3	12.6	12.4	12.3	11.8	10.8
\$80,000 under \$90,000.....	16.7	17.5	16.1	16.2	15.5	15.1	14.6	14.7	14.6	14.4	14.5	14.2	13.3	13.4	13.4	12.9	11.5
\$90,000 under \$100,000.....	16.8	18.1	17.1	16.8	16.1	15.5	15.2	15.3	15.4	15.5	15.2	15.2	14.5	14.0	14.2	13.6	12.7
\$100,000 under \$125,000.....	18.3	19.3	18.0	17.7	16.9	16.6	16.2	16.3	16.3	16.2	16.1	16.0	15.2	15.4	15.4	14.9	13.8
\$125,000 under \$150,000.....	19.0	20.6	19.6	18.8	18.0	17.3	17.2	17.7	17.4	17.4	17.3	16.7	16.6	16.6	16.6	16.2	15.2
\$150,000 under \$175,000.....	19.3	21.2	20.6	20.0	19.1	18.3	17.8	18.0	18.5	18.1	18.4	18.2	17.1	17.5	17.5	17.0	15.9
\$175,000 under \$200,000.....	20.3	22.5	21.6	20.7	20.0	18.6	19.0	19.1	19.4	19.2	18.9	18.8	18.1	18.4	18.0	17.8	16.8
\$200,000 under \$300,000.....	22.6	23.8	22.3	21.5	21.4	20.5	20.2	21.4	21.5	21.5	21.3	20.4	19.4	19.9	20.2	19.5	18.5
\$300,000 under \$400,000.....	22.6	24.5	22.6	21.9	21.5	21.6	21.6	23.5	23.7	23.7	23.1	24.0	21.5	21.3	21.7	21.3	20.5
\$400,000 under \$500,000.....	23.4	26.5	23.2	22.7	22.3	23.0	21.4	25.4	24.8	25.1	25.0	24.3	22.6	23.2	21.5	22.2	21.8
\$500,000 under \$1,000,000.....	23.7	26.7	23.5	22.0	21.7	23.5	22.6	26.3	26.1	26.7	27.1	26.1	24.3	24.0	24.3	24.2	23.7
\$1,000,000 or more.....	21.4	26.8	24.5	23.2	23.2	25.2	26.1	29.5	30.1	30.4	29.8	27.5	26.2	26.1	26.0	27.0	26.7